

Harnessing Disruptive Technology in Private Markets

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Overview

The disruptive technology is actively engaging in discussions on how emerging technologies and innovations are reshaping operations, optimising decision-making across the value chain, and transforming stakeholder engagement. In the private markets, beyond driving internal efficiencies, these advancements are equipping portfolio companies with the tools to refine their business models, unlock new growth opportunities, and forge stronger, more strategic partnerships in an evolving landscape.

These conversations often delve into a diverse array of innovative solutions, including Artificial Intelligence (AI), Generative AI (Gen AI), Big Data, and Blockchain. In PwC's most recent global thought leadership report, titled "[Asset and Wealth Management Revolution 2024 - Unleashing the Transformative Power of Disruptive Technology](#)" the convergence of technology and the asset management industry is thoroughly illustrated and highlights how these disruptive technologies are reshaping the industry landscape, offering new opportunities and expanding the frontiers of innovation.

While most industry participants are familiar with some of the disruptive technologies leveraged in public markets, it is crucial not to overlook the trends, developments, and potential use cases in private markets – from front office operations to middle and back-office processes. These advancements offer new avenues for growth, efficiency, and cost management. As private markets continue to evolve, staying informed about technological advancements will be essential for maintaining a competitive edge. The integration of disruptive technologies into private market strategies can unlock new growth opportunities, drive significant improvements in operational efficiency, and enhance decision-making processes. By embracing these innovations, asset managers and industry participants can better navigate the complexities of the modern financial landscape and better capitalise on new opportunities and emerging trends.

The opportunity set

Disruptive technologies such as Artificial Intelligence (AI), Generative AI (Gen AI), Big Data and Blockchain are already revolutionising private markets, providing a wealth of opportunities, but also presenting new challenges across various facets of the value chain and operations.



Potential use cases with Emerging Tech

Front Office



- **Investment Sourcing:** Identify new investment prospects and optimise deal sourcing by screening potential opportunities using dynamic criteria. Additionally, Gen AI can enhance investment strategies by generating deep insights based on development scenarios - not just for the business, but for the broader ecosystem in which it operates. It can also generate predictive models, leveraging its ability to create insightful content.
- **Due Diligence:** Automate the review of diligence materials, ensuring that all documents are thoroughly vetted to identify inconsistencies, errors, and potential legal issues. Tools can be leveraged to scan and analyse large volumes of legal text, comparing them against predefined criteria and standards. By doing so, they can highlight discrepancies, missing information, and areas that require further attention.

Middle Office



- **Portfolio Monitoring:** Real-time dynamic data analytics enable continuous tracking of key performance indicators (KPIs), providing an evolving view of a portfolio companies health, performance and outlook. This continuous monitoring allows for timely interventions and strategic adjustments, ensuring that portfolio companies remain on track to achieve their targets.
- **Risk Management:** Predictive analytics can forecast potential market shifts and company performance, identifying early warning signs of financial distress in portfolio companies. This proactive approach allows asset managers to take preemptive measures to safeguard investments.

Back Office



- **Capital Raising:** Capability to analyse broad market trends with precision, identifying patterns, disruptions, and evolving investment landscapes. Leveraging these insights, they can strategically position investment propositions that align with the specific financial goals, risk tolerance, and unique needs of investors.
- **Investor Reporting:** Enhance investor engagement by providing personalised communication and insights. AI-driven analytics can track investor preferences and behaviors, allowing for tailored interactions that resonate with different investor cohorts. Additionally, technologies can automate routine tasks such as sending reports, freeing up time to focus on building deeper connections with investors.
- **Legal Documentation:** Augment legal drafting by improving efficiency, accuracy, and the overall quality of legal documents such as Private Placement Memorandums (PPMs), Limited Partnership Agreements (LPAs), Subscription Agreements, and other ancillary documents. Gen AI can also create personalised content for legal documents, such as tailored clauses and provisions that meet specific needs. This level of customisation can ensure that contracts are aligned with the parties' intentions.

Creating an inclusive private markets ecosystem leveraging data tokenisation

Private markets asset managers, encompassing sectors such as private equity, private debt, real estate, infrastructure, and hedge funds, possess a wealth of data and intellectual property. These elements are the primary value drivers of their business. In contrast, while data and information are also crucial value drivers in public markets, participants benefit from comprehensive financial platforms that function almost like public utilities. These platforms enable market participants to share and exchange quality-controlled data seamlessly, integrating sophisticated risk analytics. Ultimately, they provide a holistic view of public markets, empowering asset managers and wealth owners to make informed decisions based on robust data and analytics.

In private markets, the controlled interchange and sharing of data could be highly beneficial for the industry. However, this remains a challenging prospect, as private asset managers are unlikely to relinquish their proprietary data and information, which is considered their "secret sauce". Nevertheless, proprietary datasets could be transformed and anonymised through various techniques that preserve privacy while enabling meaningful analysis. Technology companies frequently employ these techniques to comply with data protection regulations, safeguard user privacy, and still extract valuable insights from data.



One practical technique is data tokenisation, in which Personally Identifiable Information (PII) is replaced with unique tokens. This ensures that sensitive data is securely stored in a separate system and remains inaccessible without proper authorisation. By transforming and standardising datasets while making them accessible, private markets can build an inclusive ecosystem or platform to benefit various workstreams. Initially, this approach can be implemented within organisations, and later expanded across portfolio companies and their supply chains. Through data tokenisation, private market participants can leverage their data and insights to make more informed strategic and investment decisions - mirroring the evolution of data-driven platforms in public markets.

Digital asset tokenisation

Digital asset tokenisation can significantly transform private markets by enhancing liquidity, transparency, and accessibility. By converting ownership rights of private market assets into digital tokens on a blockchain, digital asset tokenisation makes traditionally illiquid assets more easily tradable while enabling fractional ownership. This innovation is a potential game-changer, paving the way for tailored portfolios that meet the specific needs of investors. Historically, bespoke portfolios have been slow to develop due to challenges in fractionalising assets, reporting to specific LPs, and creating liquidity below the fund level. Digital asset tokenisation addresses these hurdles, opening investment opportunities to a broader range of investors, including retail and mass affluent participants, thereby democratising access to private markets.

Additionally, smart contracts can automate key processes such as compliance checks, subscriptions, redemptions, and distributions, significantly improving operational efficiency. Digital asset tokenisation also facilitates cross-border trades, attracting a global investor base and expanding market reach. Ultimately, this technology fosters a more dynamic and inclusive private markets ecosystem, benefiting both investors and asset managers alike.

What does the future hold?

The convergence of emerging technology and private markets is profoundly transforming the industry. Innovations are revolutionising how asset managers operate and make decisions. As these advancements continue to evolve, they promise to unlock new opportunities and drive significant growth in the private markets sector. Technology players are driving growth and innovation within their own domains and verticals, but they can also play an increasingly important role in private markets through collaborations and strategic alliances with asset managers.



AI and Gen AI enhances decision-making processes by providing predictive models and generating reports



Big data analytics enables real-time analysis of vast amounts of structured and unstructured data



Blockchain facilitates the securitisation of previously illiquid assets through **tokenisation**

Contact us if you would like to discuss further

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